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Investigating the Main Barriers and Key Success Factors of Consumer Service Exporters: Lessons from Australian Tourism and Education Sectors

Abstract

Most international service research has focused on the export activities of professional and business to business services. Consumer services such as education, retailing, transport, tourism, and healthcare have been less researched from an international services point of view. These companies frequently export their services by attracting foreign consumers to the domestic marketplace where they provide the service. Drawing from interviews with international managers of Australian tourism and educational companies, this exploratory study attempted to understand the main barriers and drivers of performance for consumer service exporters. Data show that superior performance for consumer service firms combines home and host country as well as firm specific resources and capabilities. International managers play an essential role in leveraging these resources and capabilities in ways that enable the firm to gain advantage.

Keywords: Exports, consumer services, education, tourism.

Investigating the Main Barriers and Key Success Factors of Consumer Service Exporters: Lessons from Australian Tourism and Education Sectors

Introduction

Among the most important changes to the marketing of services during the last two decades has been the globalisation of markets, which has created many opportunities for service firms to expand internationally. For Australia, the export of services represented more than 20% of total exports in 2007 (Department of Foreign Affairs & Trade, Australian Government), and half of these service exports were consumer services such as tourism, education, and transport. The value of Australia's education exports are AU\$12.5 billion and grew 21% in 2007 and replaced tourism (AU\$ 11.5 billion) as the top services export and became Australia's third largest export overall (Australian Bureau of Statistics).

A critical issue facing services firms is how to achieve high export performance. The intangible, perishable, inseparable, and heterogeneous characteristics that distinguish services from goods (Shostack, 1977) can impact on service exports in several ways. For example, cultural shocks can occur between service providers and customers who are embedded in their own cultural contexts, and this can affect satisfaction with the service encounter (Stauss and Mang, 1999).

Research on international services has focused mainly on the export process of professional and business to business service firms. Less is known about the export process of consumer service companies (services provided directly to end consumers). Although there are common performance drivers to all export sectors, the unique characteristics of consumer services might lead to some drivers of performance that are unique to this group of exporters. Following several calls for research on international services (Knight, 1999; Rialp and Rialp, 2006), the objective of this study is to gain insight into the main export barriers for consumer service exporters and the key drivers of export performance.

Literature Review

International services are defined as "deeds, performances, efforts, conducted across national boundaries in critical contact with foreign cultures" (Clark et al., 1996). Traditionally, international services have been classified on the degree of intangibility of the service provided and the level of personal contact required between customers and service providers (Clark and Rajaratnam, 1999; Patterson and Cicic, 1995). Overall, these classifications tend to focus on service firms expanding beyond their own domestic market. However, the exporting of services can also involve the movement of foreign consumers to the domestic market where the firm is located. This type of service requires physical proximity between the service provider of the domestic market and the consumer. This supports the view that service industries may have different patterns of internationalisation, depending on their characteristics (La et al., 2005).

Welch and Loustarin (1993) distinguish between outward and inward flows in the export process of a firm, and propose that both may develop and affect each other in different ways. Tourism and education, where foreign tourists or students travelling to another country are an example of inward exportation (Bjorkman and Kock, 1997). These services are both produced and consumed in the domestic market because of local resources, or impossibility to move the service abroad (e.g., theme park or touristic attraction). Nevertheless, in some cases, after a period of time the service firm may decide to open a foreign office or provide the service in a

foreign market (e.g., educational service). Thus, both inward and outward activities are relevant for consumer service exporters, but less is known about the inward export activities.

The international services literature has focused mostly on the outward international activities of professional services and businesses. These studies show that service firms follow various stages in their export process in an evolutionary manner, such as sending first a service provider to reach international consumers, followed by the opening of an office abroad (Roberts, 1999). Overall, for intangible services that need close customer contact with the service provider, entry modes such as direct service provision of services, or the establishment of branch offices (wholly owned or joint-venture) are the main options chosen (Coviello and Martin, 1999; Erramilli and Rao, 1993; Winsted and Patterson, 1998). However, there is little research looking at consumer services industries such as tourism, transport, entertainment or education, where the initial stages of exportation don't include sending personnel abroad or opening foreign operations, but instead attracting foreign consumers to their own domestic market.

The literature mentions three types of barriers that can affect the outward exports of services (Patterson, 2004; Reardon et al., 1996; Samiee, 1999). The first type of barriers and mostly mentioned in the literature are the host country barriers, which include government regulations, market related problems (slow market development, poor infrastructure, service quality issues, and customer firm relationships), cultural differences, staffing and personnel, and competitive intensity of the host market. Following are organisational or company barriers, which include firm commitment, financial resources, lack of international expertise and foreign contacts. Finally, domestic country barriers are less mentioned and include government restrictions and the availability of export services (Smith et al., 2006). Thus, barriers for international services can derive from the domestic or host markets, and internally from the company. Culture is specially mentioned as an important barrier especially for services that are highly intangible and require close customer-provider contact (Clark et al., 1996). Cultural differences can affect the expectations and perceptions of customers and providers in the service encounter (Bianchi, 2001).

Research looking at drivers of service export performance has also focused largely on business to business and professional services (Cicic et al., 2002; Cort et al., 2007; Gourlay et al., 2005; Javalgi et al., 2003; Spar, 1997; Styles et al., 2005; White et al., 1998). These studies suggest that international performance for professional services is positively related to variables such as firm size and reputation, financial assets, commitment towards internationalisation, human resource efforts, international experience, R&D intensity, relationship and network development, entrepreneurial spirit, country of origin, and cultural similarity between markets. These drivers for the most part have to do with firm resources and capabilities. Nevertheless, cultural differences and country of origin can also be a driver of performance for some international services.

Following La et al., (2005), who argue for a contingency approach, this paper proposes that the export process and barriers depend on the characteristics of the service sector. For services requiring high levels of face-to-face contact, people related factors are critical, such as competence of key front line staff, and service quality delivery (e.g., courtesy, respect). This suggests that the performance of these firms is heavily reliant on the nature and quality of their service provision and specific resources and capabilities are needed for this purpose.

Theoretical Framework

This study draws from the resource-based theory, which views firms in terms of unique bundles of resources and capabilities that provide the basis upon which a competitive advantage can be pursued. The potential to confer a competitive advantage is not inherent in all resources but rather in those that meet a rigorous set of conditions: valuable, rare, imperfectly mobile, and imitable (Barney, 1991). Service firms are expected to identify the resources that meet the above criteria and leverage them in their markets to achieve a competitive advantage.

However, the international business literature has found that international performance is likely to be based on some combination of firm specific and country-specific resources and capabilities. Firm specific resources can be classified in two basic types: organisation's resources which are tangible, and capabilities which refer to the organisation's capacity to deploy resources in order to achieve a desired outcome. The key characteristic of capabilities is that they are firm specific and developed over time, but unlike resources, they are not easily tradable between firms (Barney, 2001). In general capabilities are information based, or intellectual assets, and tend to arise from the integration of functional capabilities. Thus, service-firm capabilities are likely to be the most sustainable source of competitive advantage for service exporters.

Home and host country-specific resources derive from the resource endowments of countries and their comparative advantages (Dunning, 1981). A firm's ability to gain access to these resources may be dependent on firm-specific competences which are the basis of a firm's advantage (Boddewyn and Halbrich, 1986). However, not all resources may provide an advantage to the firm and it depends specifically on the characteristic and resources of the marketplace and competitors (Ray et al., 2004).

Thus, the main research objective of this study is to explore more in depth the export process of consumer services, and identify the main barriers they confront and the key drivers of performance. The two research questions of this study are the following:

1. What are the main barriers that consumer service exporters confront in the domestic and international environment?
2. What are the specific resources and capabilities of consumer service exporters that act as drivers of international performance?

Research Methodology

Based on the recommendations of McCracken (1988), the fieldwork included semi structured interviews with international marketing managers of six Australian consumer service firms located in Queensland. These service firms were composed of three international educational institutions (university, college, language centre), and three international tourism destinations located in the coast and the city. Secondary information such as industry and corporate reports were also obtained to complement the previous data. Informants were recruited by the author based on their representativeness and knowledge of the export process of their firms, and willingness to participate. A semi-structured protocol was used to guide the interview process and ensure comparability among responses. The protocol included questions on perceptions of export barriers, strategies for attracting consumers to the domestic market, and key drivers of export performance. Interviews were conducted during a six month period, and had a duration average of 55 minutes. Real names were changed for purposes of confidentiality. All

interviews were tape recorded and transcribed, and inferences resulted from the process of analysis and interpretation (Spiggle, 1994).

Research Findings

The service firms analysed belong to the educational and tourism sectors and are in different stages of their export process. For example, firm 1 has been exporting for more than 20 years, and is even thinking of opening a sales office abroad. All of the companies involved in the study export their services by attracting consumers to the domestic markets and provide their services locally in Australia.

Main Export Barriers of Consumer Services

Regarding the main export barriers, the data shows that these differ in several ways from the barriers of other service industries such as professional or business to business services that commonly export by moving people or assets to a new country. For example, previous research suggests that the main barriers for the export of services are located in the host markets, such as government restrictions, cultural differences, service quality issues (Reardon et al., 1996; Samiee, 1999; Smith et al., 2006). However, the data from the interviews suggest that consumer service firms confront most of the barriers in the domestic market where the service is provided and consumed. For instance, Australian immigration rules and policies were considered important barriers for exporting educational services and tourism destinations to some foreign markets. Some countries had large difficulties in sending their students to study in Australia, due to these immigration requirements.

Another barrier mentioned by the interviewees had to do with the currency rate of the Australian dollar. When the local currency against the Australian dollar weakened, consumers didn't want to commit to the services because of the inability of predicting the fixed cost due to the length of some touristic and educational programs, and the affordability of the place. So exchange currency was a continuous latent barrier which was not under the firm's control.

Cultural differences were also mentioned as important barriers, but were more relevant in the domestic market and specifically in the service encounter between service providers and consumers. This is consistent with previous research on the effect of cultural differences on service quality expectations and satisfaction (Donthu and Yoo, 1998; Winsted, 1997). Cultural differences between foreign customers and local providers produced misunderstandings, unacceptable behaviour, and dissatisfaction of both parties. Several institutions were already addressing this problem through staff and student cross-cultural training.

“The thing that we are most concern about is that we meet or exceed the foreign customer's expectations. Foreign customers put a lot of effort to move to a new country and if they come here and find something different, that is a mayor problem for us because then we haven't delivered well our promise, so it is very important to understand exactly what these consumers expect from us”.

However, it became clear from the data that cultural similarity between markets not necessarily led to better performance, because in some cases foreign consumers expected to find cultural differences as part of their international experience. For example, tourists valued sharing their leisure activities with other foreign tourists. International students also valued diversity in the

classroom as oppose to having a homogenous group. They looked forward to meeting people from other parts of the world although they all met in Australia.

Some host barriers were mentioned by interviewees, such as difficulties of their personnel in obtaining visas to travel to foreign trade shows and promotional activities. Overall, most of the barriers, contrary to the outward internationalisation literature, are related to the domestic market where the service is provided, and not in the host market.

Main Drivers of Export Performance

The data also showed that when interviewees were asked which they thought were the main drivers of international performance for their firms, responses mentioned most frequently marketing promotional activities, government support, and belonging to networks.

All the marketing and promotional activities held by the educational and tourism institutions were relevant for attracting potential consumers, such as agents, trade shows, relationships with foreign relevant contacts, sending local students abroad as ambassadors of their institutions, internet, and direct marketing. This study shows that all of these activities are necessary for attracting consumers and particularly the role of relationships and social networks with host partners were key for successful outcomes. In addition, government support was necessary to promote Australia as a high quality educational destination, through the joint effort of government agents and other national educational institutions.

The most common methods of reaching foreign consumers were through international agents, host market contacts, firm personnel visits to foreign markets, word-of mouth, and the internet. Most of the firms analysed have a network of agents who promote their services in many countries, but more strongly in the Asian and Middle East markets. These agents were not exclusive to one firm, but shared among service exporters from different industries. For example, several agents promoted Australian educational services (Universities, Colleges, and Schools) as well as tourist destinations (Gold Coast, Sunshine Coast). The firms interviewed also sent regularly their own people to visit potential customers of their services, and establish strong relationships with relevant social actors, such as government, educational institutions, travel agencies, and agents.

All the companies studied have their own website which is well connected through study finders, and provides information about the service as well as immigration requirements needed for foreign consumers to travel to the domestic market.

Other ways in which these firms attracted consumers was through word of mouth. All of the managers interviewed mentioned that their customers that returned to their home countries were the best ambassadors for their services abroad. Although there is no empirical data, all of the interviewees think that the majority of consumers of Australian tourism, education and entertainment choose the country where to study first, and then firm. This implies that decision making is first based on the attractiveness of the country, and then of the organisation. Thus, country branding and promotion is very relevant for these firms.

Additionally, there were several layers of government support at the state and national level, which was very valuable to the export of touristic, entertainment, and educational services. These firms counted on the partnership and networks of Trade offices, Export promotion offices, and Australian educational offices (national and regional). Although these firms

compete against each other nationally, there seemed to be a strong sense of national unity when promotion this sector abroad. There were exchange of information intelligence and marketing practices among educational institutions and joint promotional efforts abroad. In addition, these firms had strong links with tourist entities, such as the city council, state and national tourism organisations to promote Australia as a credible education destination.

Conclusions and Discussion

The objective of this research was to explore the export process of consumer service firms and the main resources and capabilities needed for this process. The data supports the resource-based theory (Barney, 1991), which views firm resources and capabilities as key for developing a sustainable competitive advantage. International performance of Australian consumer service firms is based on a combination of firm-specific and home/host country-specific resources and capabilities such as service quality and firm reputation, cultural diversity, branding and image of Australia, and government support. The data also supports La et al., (2005)'s contingency approach, who argue that the export process and barriers depend on the characteristics of the service sector, and therefore the performance of consumer service exporters is heavily reliant on the quality of their service provision.

Stated in resources terms, this suggests that superior performance for international consumer firms will combine both home and host country firm specific resources and capabilities. This effectiveness in achieving such integration seems to be greater in consumer services than in industrial or business services (Boddewyn and Halbrich, 1986). This study highlights that management plays an essential role in leveraging this resource pool in ways that enable the firm to gain advantage.

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